U.S. Federal crop insurance corporation.

OUTLINE OF THE PROPOSED 1943 CROP INSURANCE PROGRAM FOR AMERICAN-EGYPTIAN COTTON

The plan which has been developed for insurance of American-Egyptian cotton crops in 1943 differs from the regular insurance plan in the method of settling losses, the amount of indemnity for loss that will be paid, and in the amount of premium. The basis for the plan is the savings in production costs that are effected when a crop is lost or fails to produce the insured yield. Based on the production costs and prices for American-Egyptian cotton that prevailed in 1942, these savings will range from approximately 85 percent to 35 percent of the value of the crop, or of the production, depending on the date or the stage of the crop at the time a loss occurs.

To meet the expressed desire of growers for a crop insurance program that will offer protection against crop losses in proportion to the average investment in the crop, the amount of indemnity payable under the 1943 contract for American-Egyptian cotton will increase as the average investment in the crop increases. The amount of indemnity payable at certain stages of the crop will be slightly in excess of the average investment in the crop at that stage in order to compensate for extra operations an individual grower may have performed, such as replanting or extra cultivation. Based on savings in production costs ranging from 85 percent for total losses occurring before the cotton is chopped to about 35 percent where picking and ginning are not necessary, the amount of indemnity payable will range from 18 percent to 65 percent of the production insured under the 75-percent plan, and will depend on the date the loss occurs.

The insured yield (coverage) per acre will continue to be 75 percent of the average yield established for the farm and total insured production will be based on the acreage planted. A grower whose yield falls below 75 percent of his average will be entitled to claim a loss. However, the amount of indemnity per acre will be limited to 65 percent of the insured yield (coverage) except in the case of loss between the time of picking and weighing-in at the gin. Only one type of coverage, 75 percent, will be offered.

A date (probably May 1) will be established representing the latest date on which American-Egyptian cotton can be planted (or replanted) and no acreage will be released prior to this date. If the crop is damaged prior to May 1 and all possibilities of planting or replanting under good farming practices have been exhausted by May 1, the loss may be settled and the acreage released on May 1.

The maximum indemnity per acre payable on May 1 for losses which occur prior to that date will be 18 percent of the insured yield if the loss is total and the acreage released.

Beginning with May 1 and extending through August 2, the maximum indemnity per acre payable will be 18 percent of the insured yield plus 1/2 of 1 percent of the insured yield per day from May 1 to the date of loss, <u>or</u> 65 percent of the difference between the insured yield and the appraised yield, whichever is the lesser amount. The amount of indemnity per acre on May 1 will therefore be slightly in excess of the average investment in the crop on completion of planting and will increase on successive dates in about the proportion that the investment in the crop increases until it reaches 65 percent of the insured yield.

From August 3 to harvest the maximum indemnity per acre will be 65 percent of the insured yield. This amount is based on an average saving of 35 percent where harvesting and ginning costs are not incurred.

For losses which occur between the time of picking and weighing-in of seed cotton at the gin the amount of indemnity will be the insured yield less the pounds equivalent of any savings (hauling, ginning, etc.), in production costs effected.

Other provisions of the present crop insurance contract having to do with the determination of total production, insured production, adjustments to production, war shortages, etc., will apply to the new American-Egyptian contract. Under these provisions, the indemnity per acre will be less than the amounts specified above in cases where the county committee determines that adjustments to production are justifiable because of failure of the insured to carry out the provisions of the contract. Limitation of the amount of the indemnity per acre to 65 percent of the difference between the insured yield and the appraised yield, together with the provision for adjustments to production, should eliminate some of the problems of early release of acreage and at the same time encourage the continuation of acreage that will produce some cotton. The same provisions in effect in 1942 with respect to the appraisal of production will apply to the 1943 American-Egyptian program.

In order to avoid the necessity for separate loss adjustment procedures and forms for the handling of American-Egyptian cotton, the amount of indemnity payable will be determined by adjustments to production for savings in cost rather than by calculating a given percentage of the insured yield.

To compensate for the limitation of the indemnity per acre in most cases to 65 percent of the insured yield, and to provide some additional incentive for growers to apply for insurance, the county check premium rates for 1943 will be reduced to 60 percent of the rate that would be necessary under the plan used in 1942. By continuing to base the insured yield on 75 percent of the average yield for the farm, the number of losses which the Corporation will be called on to indemnify will not change materially, but the total amount of indemnity for such losses will be reduced to about 65 percent of the amount payable under the 1942 plan.

Premium rate schedules will be established, under which the premium rate will be the same for all farms within a given county or area having the same average yield. Premium rates higher than the scheduled rate will be established for farms on which special or obviously greater than average hazards are present.

The increase in lint premiums and indemnities to provide for loss in yield of cottonseed has been computed separately for American-Egyptian cotton and has been established at 15 percent for 1943. Final (lint and seed) premium rates will therefore be reduced 50 percent or more on the average from those that would be necessary under the original plan. The minimum premium rate for insurance of American-Egyptian cotton will be 60 percent of the minimum rate for American Upland and can be obtained for any given yield from tables which are to be prepared.

Different application forms will be used for insurance of American-Egyptian and American Upland cotton. Growers planting both types of cotton may insure either without insuring the other. A grower who intends to plant both Egyptian and Upland cotton and wishes insurance on both crops will be required to submit an application for Upland insurance and another

for Egyptian insurance. The American-Egyptian insurance program will be available to growers in all counties in Arizona, New Mexico, Texas, and probably California where the crop is grown to any appreciable extent.

The closing date for acceptance of applications for insurance of American-Egyptian crops will be March 1 in all counties.

The 1943 crop insurance program for Upland cotton will remain unchanged, except that a different application form for Upland cotton will be used in all counties where Egyptian cotton is to be insured.

The important features of the 1943 program for American-Egyptian cotton are outlined on the attached chart.

1943 CROP INSURANCE PROGRAM PROPOSED FOR AMERICAN-EGYPTIAN COTTON

General Provisions

1. Program to apply to Arizona, New Mexico, Texas and probably California Counties where approved by the Federal Crop Insurance Corporation.
2. Grower must apply for insurance before planting or before March 1, the closing date.
3. Different applications will be used for American-Egyptian and American Upland, and grower wishing insurance on both must submit both applications.
4. Grower may insure either Egyptian or Upland without insuring the other.

Amount of Insurance

Insured yield (coverage) will be 75 percent of the average yield for the farm. No 50-percent coverage will be offered.

Premium Plan

1. County check premium rates will be 40 percent lower than under original plan.
2. Premium rate schedules will be established.
3. Lint rates will be increased by 15 percent for cottonseed.

Planting and Replanting

Stage of Crop:	Contract Provisions
Planting	Insurance attaches, premium earned
Replanting	Required up to May 1, where good farming practice.

Settlement of Losses

Date of Loss	Amount of Indemnity per Acre
Prior to May 1 (no release of insured acreage).	18 percent of insured yield
May 1 to August 2	18 percent of insured yield plus 1/2 of 1 percent of insured yield per day from May 1 to date of loss or 65 percent of difference between insured yield and appraised yield, whichever is the lesser amount
August 2 to harvest	65 percent of difference between insured yield and appraised yield
Between picking and weighing in at the gin	Difference between insured yield and appraised yield, less savings in costs (hauling, ginning, etc.)

Lint indemnity will be increased by 15 percent for loss of cottonseed.